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ELECTRONIC FRONTIER FOUNDATION, INC.

## Financial Statements

Year ended December 31, 2001

with

Report of Independent Auditors

2002 AUDIT  
027045

03031303

## ELECTRONIC FRONTIER FOUNDATION, INC.

## Statement of Financial Position

December 31, 2001

## ASSETS

	2001	2000
Current assets		
Cash and cash equivalents	\$ 456,244	\$ 327,955
Prepaid expenses	16,346	26,753
Total current assets	472,590	354,708
Property and equipment, at cost	395,028	303,734
Less accumulated depreciation	(108,238)	(79,244)
Net property and equipment	286,790	224,490
Deposits and other assets	10,000	10,000
Total assets	<u>\$ 769,380</u>	<u>\$ 589,197</u>

## LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 34,761	\$ 111,609
Note payable	-	25,000
Total current liabilities	34,761	136,609
Net assets		
Unrestricted	246,833	(35,198)
Temporarily restricted	487,786	487,786
Total net assets	734,619	452,588
Total liabilities and net assets	<u>\$ 769,380</u>	<u>\$ 589,197</u>

See accompanying notes.

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Year ended December 31, 2001

See accompanying notes.

## ELECTRONIC FRONTIER FOUNDATION, INC.

## Statement of Functional Expenses

Year ended December 31, 2001

	Program services	General and administrative	Fund raising and development	Totals	
				2001	2000
Salaries and benefits	\$ 773,126	\$ 90,956	\$ 45,478	\$ 909,560	\$ 671,310
Professional fees	255,037	4,635	-	259,672	1,431,944
Office expenses	6,371	3,186	3,186	12,742	13,184
Telephone	21,240	10,662	10,662	42,563	27,116
Postage and delivery	4,958	4,958	11,640	21,556	8,964
Occupancy	30,421	15,210	15,210	60,842	77,124
Maintenance and equipment	3,244	1,622	1,622	6,488	707
Promotion and publications	33,632	28,341	14,251	76,224	110,258
Travel and conferences	53,820	-	-	53,820	56,381
Depreciation	14,497	7,248.50	7,248.50	28,994	23,809
Consultants	-	-	-	-	159,958
Other expenses	59,309	19,655	-	78,964	47,370
	<u>\$1,255,655</u>	<u>\$ 186,473</u>	<u>\$ 109,297</u>	<u>\$1,551,426</u>	<u>\$2,628,125</u>

See accompanying notes.

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## Statement of Cash Flows

Year ended December 31, 2001

Cash flows from operating activities		
Change in net assets	\$ 282,031	\$ (120,904)
Adjustments to reconcile change in net assets to cash provided by operations		
Depreciation	28,994	23,809
Changes in:		
Accounts receivable	-	244,986
Prepaid expenses	10,406	(33,151)
Accounts payable and accrued liabilities	(76,849)	7,613
Cash provided by operations	244,582	122,353
Cash flows from investing activities		
Acquisition of property and equipment	(91,295)	(205,518)
Cash flows from financing activities		
Payment of note payable	(25,000)	-
Net increase (decrease) in cash and cash equivalents	128,287	(83,164)
Cash and cash equivalents, beginning of year	327,957	411,121
Cash and cash equivalents, end of year	\$ 456,244	\$ 327,957

See accompanying notes.

**ELECTRONIC FRONTIER FOUNDATION, INC.**

## Notes to Financial Statements

December 31, 2001

## Note 1 - Summary of significant accounting policies

Basis of presentation

The Electronic Frontier Foundation, Inc. (EFF) is a non-profit corporation that was formed as a civil liberties organization in 1990 to work in the public interest to promote online privacy, freedom of expression and social responsibility. EFF operates from leased facilities in San Francisco, California.

Basis of accounting

The financial statements of EFF have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the related obligation is incurred.

Grantors may restrict certain support for the activities of EFF to specific purposes or times. EFF classifies such amounts as temporarily restricted net assets in the accompanying financial statements until EFF accomplishes the specific purpose or the specified time elapses.

EFF has applied the provisions of Financial Accounting Standards #116, "Accounting for Contributions Received and Contributions Made" and #117, "Financial Statements of Not-for Profit Organizations".

Property and equipment

Property and equipment acquired by purchase are stated at cost. Depreciation is computed on the straight-line method over estimated useful lives of five to seven years.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with a commercial bank

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## December 31, 2001

### Estimated fair value of financial instruments (continued)

## Use of estimates

Prior year totals

## Note 2 - Risks and uncertainties

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**ELECTRONIC FRONTIER FOUNDATION, INC.**  
Notes to Financial Statements  
December 31, 2001

Note 2 - Risks and uncertainties (continued)

EFF receives substantially all of its revenues from individuals and foundations interested in protecting free speech in digital environments.

Note 3 - Note payable

A note payable to an EFF Board member at December 31, 2000 was paid in 2001.

Note 4 - Allocation of functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of time and usage.

Note 5 - Commitments

EFF leases office space under a lease, which expires July 31, 2010. Minimum future lease payments under the lease as of December 31 are:

2002	63,400
2003	65,978
2004	68,617
2005	72,195
2006	76,250
2007	79,300
2008	82,472
2009	85,771
2010	51,181